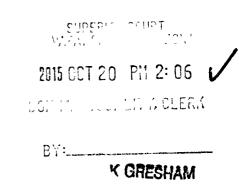
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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF YAVAPAI

Case No. P1300-CV4772

GEORGE W. HANCE, et al. Plaintiffs,

VS.

WALES ARNOLD, et ux, et al, Defendants

In the matter of the VERDE DITCH COMPANY

YAVAPAI-APACHE NATION'S NOTICE OF RE-FILING PROPOSED ORDER

As Ordered by this Court by Minute Entry dated August 21, 2015, the Yavapai-Apache Nation (Nation) hereby provides a Notice of Re-Filing its Proposed Order.

During the objection phase of this proceeding regarding the proposal of the Verde Ditch Company (VDC) and Salt River Project (SRP) to enter into a Memorandum of Understanding, the Nation filed a proposed form of order as Exhibit B to the Yavapai-Apache Nation's Objections and Comments to Revised Memorandum of Understanding (MOU) and Proposed Order. A copy of the proposed order, attached hereto, is being re-filed pursuant to the Court's August 21, 2015 Minute Entry Order.

RESPECTFULLY SUMITTED this 19th day of October, 2015. 1 2 **MONTGOMERY & INTERPRETER, PLC** 3 4 Robyn L. Interpreter, Esq. Susan B. Montgomery, Esq. 5 4835 E. Cactus Rd., Suite 210 Scottsdale, AZ 85254 6 Attorneys for the Yavapai-Apache Nation 7 ORIGINAL of the foregoing mailed for filing this 19th day of October, 2015, with: 9 Clerk of the Court Yavapai County Superior Court 10 120 South Cortez Street Prescott, AZ 86303 11 COPY of the foregoing e-mailed this 12 19th day of August, 2015, to: 13 The Honorable David L. Mackey Judge of the Yavapai County Superior Court, Div. I 14 120 South Cortez Street Prescott, AZ 86303 15 Email: jjaramil@courts.az.gov 16 COPIES sent via e-mail this 19th day of October, 2015, to: 17 18 L. Richard Mabery, Esq. Law Office of Richard Mabery, PC 19 234 North Montezuma Street Prescott, AZ 86301 20 Email: maberypc@cableone.net Attorney for the Verde Ditch Company 21 Janet L. Miller, Esq. 22 Nicole D. Klobas, Esq. Arizona Department of Water Resources 23 3550 North Central Avenue Phoenix, AZ 85012 24 Email: ilmiller@azwater.gov 25 Email: ndklobas@azwater.gov

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4	COPIES of the foregoing sent via U.S. Mail
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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF YAVAPAI

GEORGE W. HANCE, et al, Plaintiffs,

Case No. P1300-CV4772

vs.
WALES ARNOLD, et ux, et al,
Defendants

[PROPOSED] ORDER

In the matter of the VERDE DITCH COMPANY

I. BACKGROUND

On December 1, 2014, the Verde Ditch Company (VDC) filed a Petition with the Court to consider approval of a Memorandum of Understanding (MOU) between the Verde Ditch Company (VDC) and the Salt River Project Agricultural Improvement and Power District and Salt River Valley Water Users' Association (collectively, SRP). After several hearings and upon hearing the initial objections and comments filed regarding this matter, the Court provided additional time to the VDC and SRP to consider the concerns of those who objected and commented, and the VDC and SRP thereafter filed a revised MOU with the Court on June 15, 2015. The Court then provided additional time for objections and comments to be filed regarding the amended MOU and for responses thereto. A hearing was held on August 15, 2015 regarding the proposed MOU and after hearing the objections, comments, and responses, the Court enters the following Orders:

II. PURPOSE OF THE MOU AND THE GOALS OF THE HANCE V. ARNOLD COURT

The purpose the MOU is to create a framework whereby interested Verde Ditch shareholders may consider entering into settlement agreements, called Historic Water Use (HWU) Agreements and Severance and Transfer Agreements, with SRP, to settle questions between SRP, the VDC and shareholders regarding the right of a shareholder to receive water from the Verde Ditch for a specific parcel of land being provided water service from the Verde Ditch. In exchange for a shareholder entering into an HWU Agreement, SRP has agreed that it will not contest the shareholder's right to receive water from the Verde Ditch for certain specific lands in the Gila River Adjudication in the future, provided that the shareholder will agree that any future changes to the location of the use of the waters served by the Verde Ditch for that land will have to go through a severance and transfer process as prescribed by the MOU and HWU Agreements. Further, upon the approval of a Final Settlement Agreement between SRP and VDC, the VDC will agree to not contest the water rights and claims of SRP and will agree to not provide water service to lands not entitled to water service pursuant to the MOU and the Orders of this Court.

The Court will not be reviewing or approving the HWU Agreements that a shareholder may enter into with SRP and such agreements are independent contractual agreements between the shareholder and SRP. However, SRP and/or a shareholder may seek to enforce these contractual agreements before this Court where the HWU Agreement governs the conduct of the parties to the agreement as it relates to receiving water service from the Verde Ditch. Notwithstanding the foregoing, nothing contained in an HWU Agreement shall be permitted to force a change or interfere with this Court's ongoing administration of the *Hance v. Arnold* Decree.

In addition to the settlement process offered by the MOU, this Court finds it important for the ongoing administration of the *Hance v. Arnold* Decree, to clarify which lands are entitled to receive water service from the Verde Ditch. As part of meeting the Court's goal, the work that has

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been conducted thus far to research Historic Water Use (as that term is defined in the MOU) on the various lands being served by the Ditch may provide helpful information to the Court in working towards clarifying the status of lands entitled to water service from the Ditch. However, the Court is also aware that shareholders may have additional information and evidence regarding their lands and the Court intends to provide due process to the shareholders through an opportunity to present that information and evidence to the Court in a timely fashion.

The Court contemplates that the settlement process established by the MOU will move along a parallel track with the Court in its work to make the necessary determinations that will clarify which lands are entitled to water service under the Ditch in accordance with the Hance v. Arnold Decree.

The settlement process offered by the MOU is entirely voluntary and Verde Ditch shareholders are not required to enter into any agreements with SRP if they do not choose to do so. However, shareholders should be aware that the Court's own process to make determinations as to the rights of any shareholder to receive water from the Verde Ditch has the potential to impact each individual shareholder's right to receive water from the Verde Ditch as well as the management of the Ditch as a whole. As such, the Court has outlined the process it will use to address these rights in this Order and the Court will ensure that all shareholders in the Verde Ditch are provided due process and an opportunity to be heard before the Court makes its final determinations regarding the rights to receive water from the Verde Ditch for any particular parcel of land.

III. JURISDICTION OF THE HANCE V. ARNOLD COURT TO DETERMINE HISTORIC WATER USE TO ADMINISTER THE HANCE V. ARNOLD DECREE

TO BE INSERTED HERE:

COURT'S DECISION RELATED TO ITS JURISDICTION TO DETERMINE HISTORIC WATER USE AS AN ATTRIBUTE OF A WATER RIGHT

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IV. INAPPLICABILITY OF A.R.S. § 45-172 AS A REQUIREMENT FOR SEVERANCES AND TRANSFERS FOR LANDS ALREADY UNDER THE JURISDICTION OF THE HANCE V. ARNOLD COURT

TO BE INSERTED HERE:

COURT'S DECISION RELATED TO APPLICABILITY OR NON-APPLICABILITY OF A.R.S.

§ 45-172 TO SEVERANCES AND TRANSFERS OF RIGHTS UNDER THE DITCH

V. LEGAL EFFECT OF HWU AGREEMENTS

The Court will not be reviewing or approving any HWU Agreements entered into between SRP and a shareholder as part of the MOU process. Shareholders are free to enter into private party contracts with SRP as deemed appropriate by the parties to those agreements. However, where HWU Agreements govern the conduct of the parties as it relates the Ditch, the Court will be obliged to enforce the terms of those agreements as to the parties to those agreements, provided that the agreements do not interfere with the Court's continuing jurisdiction to administer and enforce the *Hance v. Arnold* Decree.

VI. ESTABLISHMENT OF COURT-APPROVED MAILING LIST

The Court is establishing a Court-approved mailing list for this matter, which includes all proceedings related to the MOU process as well as the Court's own process for clarifying which lands are entitled to receive water under the *Hance v. Arnold* Decree. Any shareholder wishing to receive future notice of Court filings in these proceedings shall file a notice with the Court on the form provided attached to this Order on or before _______, ____ 2015, to indicate that such person desires to be added to the mailing list. In order to reduce the expense and burden on the Court, the VDC, and the shareholders, for providing service of Court filings to the mailing list, the Court requests that the shareholder indicate on the form whether or not the shareholder will agree waive service by U.S. mail and accept service of future Court filings by email for this matter.

After ______, ___ 2015, any person desiring to be added to the Court-approved mailing list shall file a motion with the Court in this matter providing the reason for requesting to be added to the mailing list. All persons on the mailing list shall keep the Court informed of updated mailing, phone and email addresses by filing notices with the Court.

The Court-approved mailing list shall be maintained by the Yavapai County Clerk of the Court and a copy of the most current mailing list will be available at the Verde Ditch Company office in Camp Verde, Arizona and shall be posted on the Verde Ditch Company's website.

VII. SERVICE OF PLEADINGS

All pleadings that a party may wish the Court to consider in this matter shall be filed with the Yavapai County Clerk of the Court using the caption set forth above and a copy of such filing shall be sent to all parties on the Court-approved mailing list according to the required manner of service noted on the list (U.S. Mail or Email).

VIII. ORDERS AND HEARING NOTICES

All orders and notices of scheduled hearings shall be available from the Yavapai County Superior Court, at the Verde Ditch Company office, and shall be posted on the Verde Ditch website. Further, all orders and notices of scheduled hearings shall be served to the Court-approved mailing list.

When a shareholder's lands are directly the subject of a hearing or proceeding to determine a particular shareholder's right to receive water from the Verde Ditch, the Verde Ditch Company shall serve copies of all orders and notices of hearings related thereto on the affected shareholder by U.S. mail unless the shareholder has waived service by mail and agrees to accept service by email.

The Court may also direct other additional forms of service or notification during the course of these proceedings to comport with the requirements of due process.

IX. APPEARANCES

Any shareholder wishing to participate in these proceedings or at a hearing shall file a written Notice of Appearance with the Court, shall file all pleadings in compliance with the Arizona Rules of Civil Procedure, and shall abide by the orders of this Court regarding the conduct of these proceedings. All orders of the Court related to these proceedings shall be posted on the Verde Ditch Company's website.

X. INFORMATION SHARING AMONG THE VDC, SRP AND THE SHAREHOLDERS

As part of the MOU process, the VDC and SRP have set aside the following dates and times to conduct individual shareholder meetings to review the information that VDC and SRP have collected regarding Historic Water Use on particular shareholder's lands:

Shareholders who wish to meet with the VDC and SRP to review this documentation are to contact the Verde Ditch Company to set a specific date and time for their individual meeting. If additional times slots are required to accommodate individual shareholder meetings, the VDC will post additional available dates and times on the VDC website.

At individual shareholder meetings, VDC and SRP will provide a packet, free of charge, to the shareholder containing the information and documentation that VDC and SRP have collected related to the shareholder's lands ("Shareholder Packet"). The Shareholder Packet will contain copies of all of the documents the VDC and SRP have used to arrive at their conclusion of Historic Water Use for a particular shareholder's lands.

Additionally, if a shareholder does not wish to meet with SRP or the VDC, the shareholder may request a copy of their Shareholder Packet to be made available for pick-up at the VDC

offices, or by mail, through submitting a written request to the VDC on the form provided by the VDC for such purpose. The VDC request form for the Shareholder Packet shall be posted on the VDC website for a shareholder to print out and submit to the VDC. Shareholders requesting to receive a Shareholder Packet by mail shall submit payment, in advance, for the cost of postage to mail the Shareholder Packet to the shareholder.

Shareholders may also choose to provide the VDC and SRP with additional information or documentation related to their lands, and if they do so, the information and documentation shall be added to the Shareholder Packet for the individual shareholder's lands.

The VDC shall maintain the Shareholder Packets in the records of the VDC, and as additional information or documentation is obtained, the VDC shall supplement the Shareholder Packets. These Shareholder Packets, if properly maintained by the VDC, will also serve as a useful resource in the future when the Gila River Adjudication begins the adjudication of Verde Ditch water rights. The Court contemplates that current shareholders, or their successors-in-interest, may one day find these Shareholder Packets helpful when the Adjudication takes up these matters.

Any information and documentation shared among the VDC, SRP and the shareholder may be used as evidence in the Court's consideration of the status of a shareholder's lands and any other shareholder involved in these proceedings may obtain another shareholder's information and documentation contained in the Shareholder Packets to review, as further prescribed in Section IX. of this Order.

If a shareholder does not wish to meet with or share information with the VDC and SRP as part of the MOU process, the shareholder will be provided an opportunity to present their information and documentation during the Court's proceedings to clarify which lands are entitled to receive water from the Verde Ditch under the *Hance v. Arnold* Decree, provided that the

shareholder follows this Order and the future orders of this Court for disclosing and presenting such information and documentation during the Court proceedings.

XI. FEES FOR SHAREHOLDER PACKETS

After the VDC provides the initial Shareholder Packet to a shareholder as described in Section VII. of this Order, for future requests by a Shareholder for their Shareholder Packet, the VDC may charge, in advance, a \$10 administrative fee, plus a copy fee of \$0.10 per page, plus a postage fee if the Shareholder Packet is to be mailed to the shareholder.

In the event the VDC digitizes the Shareholder Packets and the Shareholder Packets may be made available electronically to the requestor, the VDC shall waive the copy and postage fees. While not required at this time, the Court strongly encourages the VDC to work towards the digitization of the Shareholder Packets as a means to reduce future costs of administration of the Shareholder Packets and disclosure that will be required during the Court's process for clarifying the lands entitled to water delivered from the Verde Ditch.

Prior to the Court entering future orders for discovery and disclosure as it relates to the Court's process for clarifying the lands entitled water delivered from the Verde Ditch, any requests made to the VDC for Shareholder Packets for any parcel not owned by the requesting shareholder shall be referred to the Court for consideration and approval.

XII. FINAL "WORKING UNDERSTANDINGS" AND MAP

As part of the MOU process, SRP and VDC will be creating a final "Working Understandings" document and Map to delineate their analysis as to the status of each shareholder's lands and whether or not they believe those lands are entitled to water to be delivered from the Verde Ditch. At this time, SRP and VDC have created a preliminary Map which is considered part of the "Working Understandings" of the MOU, but they wish to finalize their "Working

Understandings" and Map for their MOU purposes only after receiving any additional input the shareholders would like to provide to them.

Once SRP and VDC have reached agreement on a final "Working Understanding" document and Map, SRP and VDC shall submit the final "Working Understandings" Document and Map to the Court and provide notice of the submittal to the Court-approved mailing list. The final "Working Understandings" and Map shall also be posted on the VDC website in sufficient detail for shareholders to review.

The "Working Understandings" and final Map shall include delineations of <u>all</u> lands under the jurisdiction of the Verde Ditch as well as any lands which are presently being served with water from the Verde Ditch. This includes the delineation of <u>all</u> lands that have historically received water from the Ditch but are no longer receiving or taking water from the Ditch for any reason, including, but not limited to, lands that have been converted to other non-irrigation uses such as for roads and buildings.

As part of the final "Working Understandings" and Map that will be submitted to the Court, SRP and VDC shall also include a detailed description of the process utilized in making the color designations for the lands, a list of all reference sources consulted and reviewed, and any assumptions made regarding the assignments of colors, sufficient to apprise the Court and the shareholders of how the "Working Understandings" and Map were prepared.

Further, in the event SRP and VDC disagree as to the status of any particular lands, SRP and VDC shall delineate those lands on the Map and provide an explanation to the Court of the area(s) of disagreement for each parcel in the "Working Understandings" document.

After the final "Working Understandings" and Map is submitted to the Court, the Court will provide a period of time for SRP and the individual shareholders to consider whether or not they would like to enter into HWR Agreements and Severance and Transfer Agreements with SRP.

After this time expires, the Court will then begin its process of clarifying the lands that are entitled to receive water from the Verde Ditch pursuant to the *Hance v. Arnold* Decree.

Notwithstanding the Court's initiation of its clarification process, nothing shall prevent SRP and an individual shareholder from entering into HWR Agreements and Severance and Transfer Agreements and making Applications for Severance and Transfer after the initial period of time has expired. Further, nothing herein shall prevent a shareholder from filing an Application for Severance and Transfer with the Court which is independent of the process and agreements with SRP that are described in the MOU.

XIII. THE VDC SHALL AMEND ITS STATEMENT OF CLAIMANT NO. 39-50029 IN THE GILA RIVER ADJUDICATION TO REFLECT ALL COURT-APPROVED SEVERANCE AND TRANSFERS

Whenever this Court approves a severance and transfer of water rights under the jurisdiction of the *Hance v. Arnold* Court, the Verde Ditch Company shall from time to time file amendments to the Verde Ditch Company's Statement of Claimant No. 39-50029 in the Gila River Adjudication to reflect this change.

XIV. LEGAL EFFECT OF MOU'S WORKING UNDERSTANDINGS AND MAP – EVIDENTIARY STANDARDS AND BURDENS OF PROOF

The MOU's final "Working Understandings", Map, and information and documentation contained in the Shareholder Packets, may be presented as evidence when the Court begins the process of clarifying which lands are entitled to water service from the Verde Ditch under the Hance v. Arnold Decree, provided that these items meet the requirements for evidence as prescribed by the Arizona Rules of Evidence. However, no presumption of validity of such evidence shall attach to the Working Understandings, Map or information or documentation contained in the Shareholder Packets, and the Court will give the appropriate weight to all evidence presented to it, including any evidence presented to the Court by a shareholder or other party participating in these

proceedings. A preponderance of the evidence shall be the standard burden for determining whether or not a particular parcel of land is entitled or not entitled to water service from the Ditch.

Further, all of the information collected and/or reflected in the "Working Understandings" shall not be deemed an admission against interest or a waiver, relinquishment or future limitation as to a Shareholder's right to assert or file a water right claim in the Adjudication or any other proceeding that may be inconsistent with the "Working Understanding" determinations or limit the ability of a Shareholder to present evidence before the Court in the future in the enforcement and interpretation of the *Hance v. Arnold* Decree.

XV. APPLICATIONS FOR SEVERANCES AND TRANSFERS

Applications filed with the Court for Severances and Transfers of Verde Ditch rights, whether filed as a result of the MOU process or those being filed independently outside of the MOU process, shall be filed with the Court with copies served on all parties on the Court-approved mailing list. Upon receipt of an Application for a Severance and Transfer, the Court will set a procedural conference to set forth a more detailed process for addressing the Application prior to any evidentiary hearing being set to consider such Application. The Arizona Rules of Civil Procedure and the Arizona Rules of Evidence will be followed with respect to the Court's consideration of any Application filed for Severances and Transfers.

XVI. RECONCILIATION OF DITCH SHARES AND ASSESSMENTS

Nothing contained in the MOU shall modify or amend any assessment or charge by VDC retroactively. Any changes in a Shareholder's assessments (regular or special), shall be prospective only and shall be approved by the Court prior to implementation by the VDC.

XVII. VDC RULES AND REGULATIONS

The Court's approval of the MOU shall not be deemed a modification of the existing Rules and Regulations of the VDC.

1	XVIII. CONSIDERATION FOR APPROVAL OF FINAL SETTLEMENT AGREEMENT BETWEEN VDC AND SRP
2	Upon the VDC and SRP filing an application for approval of the Final Settlement
3	Agreement between the VDC and SRP with the Court, the shareholders shall be provided with an
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5	opportunity to file objections and comments to any terms of the proposed Final Settlement
6	Agreement that were not included in ¶ 12 of the MOU as terms of settlement and the Court will
7	address those at that time.
8	SO ORDERED this day of, 2015.
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11	By: The Honorable David L. Mackey
12	Judge of the Superior Court Master of the Verde Ditch
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